

**QUALITY CONTROL REVIEW OF  
AUDITED FINANCIAL STATEMENTS FOR  
FY 2008 AND FY 2007**

*Federal Aviation Administration's  
Administrative Services Franchise Fund*

*Report Number: QC-2009-006  
Date Issued: November 10, 2008*



# Memorandum

U.S. Department of  
Transportation

Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **ACTION:** Quality Control Review of Audited  
Financial Statements for FY 2008 and FY 2007,  
Federal Aviation Administration's  
Administrative Services Franchise Fund  
Report Number: QC-2009-006

Date: November 10, 2008

From: Rebecca C. Leng   
Assistant Inspector General for Financial and  
Information Technology Audits

Reply to  
Attn. of: JA-20

To: Acting Federal Aviation Administrator  
Mike Monroney Aeronautical Center Director

The audit of the Federal Aviation Administration's Administrative Services Franchise Fund Financial Statements as of and for the year ended September 30, 2008, was completed by the Reznick Group, P.C., of Bethesda, Maryland (see Attachment). We performed a quality control review of the audit work to ensure that it complied with applicable standards. These standards include Generally Accepted Government Auditing Standards; and Office of Management and Budget Bulletin 07-04, "Audit Requirements for Federal Financial Statements," as amended.

The Reznick Group concluded that the financial statements present fairly, in all material respects, the Franchise Fund's assets, liabilities, and net position as of September 30, 2008; and net costs; changes in net position; and budgetary resources for the year then ended, in conformity with accounting principles generally accepted in the United States. Last year's Franchise Fund financial statements were audited by other auditors, who also expressed an unqualified opinion on those statements.<sup>1</sup>

The Reznick Group reported three significant internal control deficiencies and one instance of noncompliance with laws and regulations.

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<sup>1</sup> OIG Quality Control Review of the Audited Financial Statements for FY 2007 and FY 2006, Federal Aviation Administration Administrative Services Franchise Fund, Report Number QC-2008-010, November 13, 2007.

***Significant Deficiencies***

1. Reconciliation Variances – Unfilled Customer Orders
2. Timely Liquidation of Advances
3. Collection of Government Accounts Receivable

***Noncompliance with Laws and Regulations***

1. Noncompliance with Public Law 104-205, Federal Aviation Administration  
- Administrative Services Franchise Fund

The Reznick Group made six recommendations for corrective action. Therefore, we are making no additional recommendations. Franchise Fund officials concurred with the significant deficiencies and noncompliance, and likewise agreed with the recommendations. Franchise Fund officials committed to implement the corrective actions by January 31, 2009. In accordance with DOT Order 8000.1C, the corrective actions taken in response to the recommendations are subject to follow-up.

In our opinion, the audit work performed by the Reznick Group complied with applicable standards.

We appreciate the cooperation and assistance of Federal Aviation Administration, Franchise Fund, and Reznick Group representatives. If we can answer any questions, please call me at (202) 366-1407; or Earl C. Hedges, Program Director, at (410) 962-1729.

Attachment

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